

Why expand financial access?

Nearly 10 million households in the United States are unbanked. These individuals and families do not have an account with a bank, thrift or credit union. Consequently, they are not able to fully participate in the local and national economies and are susceptible to:

- pay more for financial services such as check cashing and bill payment;
- theft and robbery due to keeping or carrying cash;
- face challenges saving for emergencies or for the future; and
- struggle to build a positive credit history and access affordable credit for short- and long-term needs.

In addition, approximately 50 million other Americans that have an account may continue to pay high interest and fees to alternative financial service providers, such as check cashers and money transfer services, rather than access the financial products and services from their financial institutions.

Who is unbanked?

Unbanked families are disproportionately:

- Low-income individuals (nearly 30% of the lowest income families are unbanked);
- Minorities, particularly Blacks and Hispanics (more than 20% of these groups are unbanked);
- Young adults (13% of families headed by adults under age 35 are unbanked); and
- Individuals who previously had an account that either they or the financial institution closed.

Why are people unbanked?

There are many reasons why people are unbanked, but they may be broadly summarized as follows:

- Consumers may lack trust in the stability of financial institutions, lack knowledge and experience in using the financial system, and may perceive the costs of managing an account to outweigh the benefits.
- Financial Institutions may not provide products that meet the needs of low-wealth, low-income consumers or they may not market to and/or provide an environment that welcomes this market segment.

What can be done to reach the unbanked?

The Treasury Department has learned from research and outreach that there are a number of effective approaches to reach unbanked people and provide access to appropriate financial services. These are summarized as:

- **financial products** that are convenient, transparent and low-cost to the consumer;
- **products and services** that offer to the financial institution the possibility of a long-term, profitable customer relationship;
- **financial education** and counseling on budgeting, account management, and other topics;
- **outreach** to low-income consumers through trusted community organizations; and
- **incentives**, such as savings match or access to reduced-rate credit.

For more information about the CFAP, contact Louisa Quittman, Director, Community Programs at Louisa.Quittman@do.treas.gov.